STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
Insurance Division - Self-Insurance/Surplus Lines
500 James Robertson Parkway
Nashville, TN 37243
615-741-1756

November 26, 1996

NOTICE

TO: ALL SELF-INSURED GROUPS APPROVED IN TENNESSEE

FROM: C. NEIL NEVINS, DIRECTOR
SELF-INSURANCE / SURPLUS LINES DIVISION
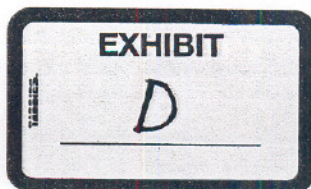
RE: ADVISORY LOSS COSTS

Attached is information regarding rate filing procedures for group self-insurers in referencing NCCI Advisory Loss Costs. Included in this information are two forms that must be submitted by each group on or before January 1, 1997. These forms are titled "Tennessee Summary of Supporting Information Form" and "Loss Costs Reference Filing Adoption Form."

Also attached is the NCCI Loss Cost Filing recommended by the Advisory Council on Workers' Compensation and approved by the Commissioner of Commerce and Insurance.

Please note, any group who wishes to implement a schedule rating plan as part of their rating structure, must submit this plan along with the referenced forms for approval.

If you have any questions or need assistance in completing the above referenced forms please contact me at 615-741-1756.

/CNN

EXHIBIT

D

TENNESSEE WORKERS' COMPENSATION RATE FILING PROCEDURES FOR GROUP SELF-INSURERS IN REFERENCING NCCI ADVISORY LOSS COSTS

Senate Bill 2539, also known as the Workers' Compensation Reform Act of 1996, announced a transition to advisory prospective loss costs in the Tennessee workers' compensation voluntary market. This represents the first time loss costs will be provided in Tennessee for the voluntary market.

This circular details the procedures and requirements for group self-insurers in referencing NCCI advisory prospective loss costs in their rating plans, as communicated by the Tennessee Department of Commerce and Insurance and specified in Tennessee's workers' compensation law.

In addition, samples of a Reference Filing Adoption Form and Summary of Supporting Information Form for use in referencing NCCI loss costs are included in this circular, along with line-by-line explanations.

NCCI will continue to develop and file rules, relatives and supplementary rating information on behalf of its participating insurers.

AS A TRANSITION INTO THE NEW LOSS COST ENVIRONMENT, THE TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE HAS STATED THAT GROUP SELF-INSURERS MUST FILE A LOSS COST MULTIPLIER BY THE EARLIER OF THE FOLLOWING: 1) WITHIN 60 DAYS OF THE DEPARTMENT'S APPROVAL OF NCCI ADVISORY PROSPECTIVE LOSS COSTS, OR 2) WITHIN 15 DAYS AFTER THE EFFECTIVE DATE OF THE GROUP'S NEW RATES. EXTENSIONS WILL BE SUBJECT TO APPROVAL BY THE DEPARTMENT OF COMMERCE AND INSURANCE, SELF-INSURANCE SECTION. IN NO CASE SHALL THE EFFECTIVE DATE OF A GROUP'S NEW RATES BE PRIOR TO JANUARY 1, 1997, WHICH IS THE IMPLEMENTATION DATE FOR WORKERS' COMPENSATION LOSS COST RATING IN TENNESSEE.

Section I - Loss Cost Reference Filings

A)   NCCI's Role

NCCI will no longer develop or file rates for the voluntary market that contain provisions for expenses or profit and contingencies. Instead, NCCI will file with the Tennessee Commissioner of Commerce and Insurance a reference filing containing advisory prospective loss costs. In addition, NCCI will no longer develop or file any minimum premium formulas, expense constants or premium discount plans for the voluntary market.

For the assigned risk market, NCCI will continue to file with the Tennessee Commissioner of Commerce and Insurance rates that include provisions for expenses and profit and contingencies, as well as minimum premiums and expense constants.

B)   Group Self-Insurer Action

During the initial implementation of loss costs rating in Tennessee, each group must individually file a loss cost multiplier with the Tennessee Commissioner of Commerce and Insurance within the timeframe specified in the cover letter to this circular. The application of this multiplier to the approved NCCI advisory prospective loss costs will yield the group's filed rates.

Going forward, a group's filed and approved loss cost multiplier will remain in effect until changed by the group in any future filing with the Tennessee Commissioner of Commerce and Insurance. This multiplier will automatically apply to all future approved NCCI advisory prospective loss costs, requiring no action on the part of the group. Thus, a group's rates will automatically change by the same percentage as the change in NCCI-approved loss costs. **If a group does not want its rates to change by the same percentage as the new loss costs, the group must file a new multiplier.** Such filings must be made not later than fifteen days after the effective date of the company's filing.

Attached are two forms - the Reference Filing Adoption Form and the Summary of Supporting Information Form - for use in referencing NCCI's advisory prospective loss costs, along with a line-by-line explanation of each. As explained above, groups will need to use these forms for the initial implementation of loss costs in Tennessee. In the future, these forms will only be necessary when a group is changing its multiplier and/or other rating factors (such as premium discount table, expense constant, minimum premiums, etc.).

Section II - Explanation of Filing Forms

A)   Loss Costs Reference Filing Adoption Form

The Reference Filing Adoption Form asks for general information about the group self-insurer, including name and address.

Lines 3a and 3b should show the effects of the proposed revision and the effective date. The rate level change measures the effect on manual rate level; the premium level change is the change in collected premium. If the only change a group is making is in its multiplier, the rate level change would equal the premium level change. However, when parts of the filing such as the expense constant or the minimum premiums are changed, the effect on rate level may be different from the effect on premium level.

The proposed rate level change is a change in manual rate levels. The first time a group is applying a multiplier to NCCI loss costs, the proposed rate level change should be relative to the "multiplier" underlying the NCCI rates that the group was previously referencing. In NCCI's 7/1/95 filing, which contained the last NCCI rates approved in Tennessee, the "multiplier" was 1.412. Consider an example where a group is currently deviating 5% below NCCI's 7/1/95 rates (factor of 0.95), loss costs are decreased by 6.0% (factor of 0.94), and the group selects a multiplier of 1.40. The proposed rate level change in this case would be (0.94 x 1.40) / (1.412 X 0.95), which is 0.981, or a decrease of 1.9%.

As explained above, when NCCI files loss costs for a certain percentage change in the future, this will automatically result in a rate level change of the same magnitude for each group. A group can, however, opt to change its multiplier. In this case, the group's rate level would be calculated as described in the following example. Suppose NCCI filed for a decrease in loss costs of 6.0%, or a factor of 0.940. Also, suppose a group were changing its multiplier from 1.333 to 1.40; that is, an increase of 5% or 1.05. The overall rate level change would be 0.94 x 1.05, which is 0.987, or a decrease of 1.3%.

The premium level change could be different if the group were changing its expense constant or its minimum premium supplement. If the change in one of these items or in some other factor results in a change in the premium that will be received, this change should be reflected in Line 3B, Proposed Premium Level Change. Further discussion of this topic will follow later in this circular.

Lines 4a and **4b** requests that the group list its last rate level and premium level change and effective date.

Line 5 requests that the group complete and attach the "Summary of Supporting Information Form" which derives the group's loss cost multiplier.

3

B) Summary of Supporting Information Form

Line 1 relates to loss cost modifications. The purpose of this section is for groups to recognize how their own loss experience or loss adjustment expense (LAE) provision may differ from that filed by NCCI.

On **Line 1A**, the first box should be checked if a group believes the NCCI loss and LAE experience is appropriate for them and wishes to adopt the loss costs without modification.

The second box, however, would be selected by groups who intend to modify the NCCI loss costs based on their own experience or any other relevant factors. They should supply a percentage of deviation, supporting data and rationale to the Tennessee Department of Commerce and Insurance, Self-Insurance Section.

The percentage entered on Line 1A should reflect the extent to which a group expects its prospective loss and LAE experience to be better or worse than the loss costs in the NCCI filing. For example, if the group expects its losses and LAE to be 10% less than the NCCI loss costs, then -10% should be shown here. If it expects its losses and LAE to be 15% higher than the NCCI loss costs, then +15% should be shown here. The initial NCCI loss cost filing filed with the Tennessee Department of Commerce and Insurance shows the actual change in loss costs from the prior filing. That is, it gives the percentage effect of going from the loss cost underlying the present rates to the loss costs in the new filing. Groups may wish to refer to that figure.

Line 1B should show the loss cost modification expressed as a factor. If a group checks the first box, the factor would be 1.000. If a group chooses some other modification, the following examples explain the calculation of the factor:

Ex. 1: If a group expects its losses to be 10% lower than the loss costs in NCCI's filing, a factor of .90 should be used. (= 1 - .10)

Ex. 2: If a group expects its losses to be 15% higher than the loss costs in NCCI's filing, then a factor of 1.15 should be used. (= 1 + .15)

The NCCI-filed loss costs will include loss and LAE, developed to ultimate and trended; however, no expenses other than LAE will be included in the loss costs. NCCI has not filed provisions for any of the expenses listed on the form.

In **Section 2** of the filing form the Group fills in its provisions for each of the items shown. Again, these factors are not supplied in the NCCI voluntary loss costs filing. Each group must develop these factors on its own.

4

In order for the Formula Loss Costs Multiplier in Line 6 to be calculated properly, the expense percentages must be derived by relating NET expense amounts to STANDARD premium (i.e., before any premium discount expense constants, or other individual risk rating plans). One way this can be done is to adjust Net percentages by the ratio of Net/Standard Premium. For example, if a group has a Net Production Expense of $9, Net Premium of $90, and Standard Premium of $100, it should show 9% (= 9/100) on Line 2A. It could have derived this percentage by multiplying its Net Production Expense of 10% (= 9/90) by the ratio of Net/Standard (= 90/100). This would yield the same 9% provision (10% x 90/100 = 9%).

Line 2A is for the Total Production Expense provision, includes commissions, other acquisition expenses, and expenses involved in producing business.

Line 2B is for the General Expense provision. (i.e. claim adjustment services, commission and brokerage, excess insurance, surety bonds, advertising, audits, insurance, equipment, travel, printing and stationery, postage, telephone, etc.)

Line 2C is Taxes, Licenses, and Fees.

Line 2D, Other, would be any expense that a group incurs as a cost of doing business that did not fall under any of the other categories.

The Total figure in **Line 2E** is the sum of the five categories.

Line 3 is the expected loss and loss adjustment expense ratio, or target cost ratio. It is calculated by subtracting Line 2E from 100% and then converting to decimal form. For example, if Line 2E were equal to 30% then Line 3 should show .700 (=100% - 30 % and converted to decimal). It should be emphasized that this expected loss ratio is a function of the ratio of Net Expenses to Standard Premium, and is therefore not directly comparable to the more typical loss ratios that are a function of Net to Net ratios or Standard to Standard ratios.

Under the Tennessee loss costs system, groups will have to determine and file with the Tennessee Department of Commerce and Insurance, Self-Insurance Section, their own Expense Constants, Minimum Premiums and Premium Discounts. It is not possible for NCCI to publish these values because they involve expenses, which are now purely in the province of insurance carriers and group self-insurers.

On **Line 4**, groups must indicate the impact on premium which will be generated by using Expense Constants and Minimum Premiums, regardless of whether or not they are being changed. This impact should measure the additional premium which will be generated by using Expense Constants and Minimum Premiums relative to what would be collected if they were not used. This can be calculated with the following ratio:

Total Dollars Produced by Expense Constants and Minimum Premiums

----

Standard Premium excluding the above dollars

For example, if Standard Premium is expected to be $50,000 under the proposed rates with $2,000 of this attributable to Expense Constants and Minimum Premiums, the impact would be:

$$\frac{2,000}{50,000 - 2,000} = \frac{2,000}{48,000} = 4.2\%$$

This impact would be expressed as 1.042 on Line 5.

Minimum Premiums represent the minimum amount for which a group is willing to accept. In NCCI's 7/1/95 filing, minimum premiums were calculated for each class by multiplying the class rate by 145, and then adding a $140 Expense Constant. The result was subject to a maximum of $750. The multiplier of 145 that was used represents exposure comparable to $14,500 in payroll $(14,500/100 = 145)$, which is less than the current average annual wage of one employee in Tennessee.

The Expense Constant is used to recognize that certain expenses are involved in the accepting of each group member, regardless of size. These are generally referred to as "fixed" expenses. An example of these would be the clerical cost and paper of preparing the policy form. The same fixed cost is incurred on both a $1,000 policy and a $100,000 policy; it does not vary by premium size. The Expense Constant would generally be used to reflect the fixed expenses.

Line 5, groups should indicate the impact of expense gradation. For example, if Standard Premium is expected to be $50,000 under the proposed rates with $4,000 of expense gradation, the impact would be:

$$\frac{4,000}{50,000} = 8.0\%$$

This impact would be expressed as .920 (=1 - .080) on Line 5.

Expense gradation is used in determining premium discounts and in retrospective rating because expenses generally become a smaller proportion of premium as premium size increases.

The formula on **Line 6** derives the group's loss cost multiplier as indicated by the data provided on this form. This multiplier is a factor which is applied to the NCCI loss costs to produce the group's manual rates.

The loss cost multiplier that is selected by the group should be shown on Line 7. If this multiplier is different from that shown on **Line 6**, an explanation should be provided.

Line 8 and **Line 9** request support and documentation for any changes that are proposed in the group's Minimum Premiums or Premium Discounts, respectively.

Section III - Definition of Terms

A)   Expenses

means that portion of a rate attributable to acquisition, field supervision, collection expenses, general expenses, taxes, licenses, and fees.

B)   Rate

means the cost of insurance per exposure unit, whether expressed as a single number or as a prospective loss cost with an adjustment to account for the treatment of expenses, profit and variations in loss experience, prior to any application of individual risk variations, such as Experience or Retrospective Rating, and does not include minimum premiums.

C)   Developed losses

means losses adjusted, using standard actuarial techniques, to eliminate the effect of differences between current payment or reserve estimates and those needed to provide actual ultimate loss payments.

D)   Loss trending

means any procedure for projecting developed losses to the average date of loss for the period during which the policies are to be effective.

E)   Advisory prospective loss costs

are that portion of a rate that does not include provisions for expenses (other than loss adjustment expense) or profit and contingencies, and are based on historical aggregate losses and loss adjustment expenses projected through development to their ultimate value and through trending to a future point in time.

F)   Supplementary rating information

includes any manual or plan of rates, classification, rating schedule, minimum premium, policy fee, rating rule and any other similiar information needed to determine the applicable rate in effect or to be in effect.

CALCULATION OF GROUP SELF-INSURER LOSS COST MULTIPLIER

1. Loss Cost Modification:

   A. The group hereby files to adopt the prospective loss costs in the captioned reference filing: (CHECK ONE)

   ☐   Without modification (factor = 1.000).

   ☐   With the following modification(s). (Cite the nature and percent modification, and attach supporting data and/or rationale for the modification).

   _____

   B. Loss Cost Modification Expressed as a Factor: (See examples in explanatory circular)._____

2. Development of Expected Loss and Loss Adjustment Expense (Target Cost) Ratio. (Attach exhibit detailing group expense data, impact of premium discount plans, and other supporting information.)

   PROJECTED EXPENSES: COMPARED TO STANDARD PREMIUM AT COMPANY RATES.

   A. Total Production Expense _____ %

   B. General Expense _____ %

   C. Taxes, Licenses and Fees _____ %

   D. Other (explain) _____ %

   E. TOTAL _____ %

3. Expected Loss and Loss Adjustment Expense (Target Cost) Ratio:
   ELR = 1.000 - 2E (expressed in decimal form). _____

4. Overall impact of expense constant & minimum premiums:
   (A 2.3% impact would be expressed as 1.023). _____

5. Overall impact of size-of-risk discounts plus expense gradation recognition in retrospective rating: (An 8.6% average discount would be expressed as 0.914). _____

6. Group Formula Loss Cost Multiplier: 1B / [(5 - 2E) x 4] = _____

7. Group Selected Loss Cost Multiplier: _____
   Attach exhibit explaining any difference between 6 and 7.

8. Are you amending your minimum formula? ☐ Yes ☐ No If yes, attach documentation including rate level impact as well as changes in multipliers, expense constants, maximum minimums, etc.

9. Are you changing your premium discount schedules? ☐ Yes ☐ No If yes, attach schedules and support detailing premium or rate level change.

Space Reserved for Insurance Department Use	Date:_____
	TENNESSEE WORKERS COMPENSATION GROUP SELF-INSURER RATE FILING ADOPTION OF
	(_____)
	LOSS COSTS REFERENCE FILING ADOPTION FORM

1.   GROUP SELF-INSURER   _____

      ADDRESS   _____

                                  _____

                                  _____

                                  _____

      PERSON RESPONSIBLE FOR FILING _____

      TITLE _____ TELEPHONE # _____

2.   The group self-insurer hereby files to be deemed to have independently submitted as its own filing the prospective loss costs in the captioned Reference Filing.

      The group self-insurer rates will be the combination of the prospective loss costs and the loss costs multipliers and expense constants specified in the attachments.

3A.   PROPOSED RATE LEVEL CHANGE _____% EFFECTIVE DATE _____

3B.   PROPOSED PREMIUM LEVEL CHANGE _____ % EFFECTIVE DATE _____

4A.   PRIOR RATE LEVEL CHANGE _____ % EFFECTIVE DATE _____

4B.   PRIOR PREMIUM LEVEL CHANGE _____% EFFECTIVE DATE _____

5.   ATTACH "SUMMARY OF SUPPORTING INFORMATION FORM"

ADVISORY LOSS COSTS — NOT RATES
Advisory loss costs exclude the following expense provisions: production, general expense, taxes, and profit and contingency allowance.

TENNESSEE

Exhibit III · Effective January 1, 1997 · Page S1

CLASS CODE	LOSS COST	ELR	D RATIO	CLASS CODE	LOSS COST	ELR	D RATIO	CLASS CODE	LOSS COST	ELR	D RATIO	CLASS CODE	LOSS COST	ELR	D RATIO
0005	5.52	3.80	0.29	1710E	6.86	4.20	0.22	2417	4.84	3.30	0.29	3085D	5.48	3.51	0.27
0008	3.19	2.18	0.27	1741E	6.28	3.23	0.21	2501	3.49	2.45	0.30	3091	—	4.49	0.26
0016	6.15	4.22	0.28	1747	4.27	2.75	0.25	2503	0.89	0.61	0.30	3110	6.86	4.62	0.25
0034	5.77	4.00	0.29	1748	4.41	2.93	0.28	2534	2.83	1.96	0.30	3111	4.15	2.81	0.26
0035	2.66	1.85	0.29	1803D	9.19	5.39	0.27	2570	5.61	3.76	0.30	3113	2.23	1.53	0.28
0036	6.69	4.56	0.27	1852D	6.35	3.85	0.24	2576	7.23	5.10	0.30	3114	2.82	1.95	0.28
0037	6.78	4.55	0.26	1853	5.21	3.51	0.27	2578	4.95	3.40	0.28	3118	3.12	2.17	0.29
0042	7.70	5.10	0.30	1860	2.71	1.87	0.28	2585	4.64	3.16	0.27	3119	1.00	0.71	0.31
0050	8.52	5.69	0.26	1924	6.60	4.47	0.27	2586	2.43	1.66	0.29	3122	4.00	2.75	0.29
0059D	0.55	0.17	0.21	1925	5.11	3.38	0.28	2587	2.18	1.49	0.29	3126	3.99	2.73	0.27
0065D	0.11	0.04	0.28	2001	5.31	3.67	0.29	2589	2.54	1.79	0.30	3131	2.98	2.04	0.28
0066D	0.11	0.04	0.27	2002	6.20	4.25	0.27	2600	3.16	2.16	0.30	3132	3.68	2.44	0.28
0067D	0.11	0.04	0.26	2003	3.36	2.21	0.27	2623	4.10	2.84	0.29	3145	3.02	2.08	0.28
0079	3.95	2.61	0.23	2014	4.17	2.72	0.26	2651	4.44	3.07	0.29	3146	3.20	2.23	0.29
0083	7.42	5.01	0.27	2016	1.72	1.21	0.29	2660	3.73	2.61	0.29	3169	6.88	4.69	0.27
0105	16.76	10.90	0.27	2021	3.19	2.17	0.27	2670	2.66	1.88	0.29	3175D	4.96	3.26	0.24
0113	4.33	2.94	0.26	2030	—	2.17	0.27	2683	3.83	2.65	0.30	3179	3.50	2.43	0.29
0169	—	5.01	0.27	2039	3.91	2.65	0.27	2688	2.48	1.76	0.30	3180	4.33	2.96	0.28
0170	4.82	3.30	0.30	2041	3.75	2.60	0.28	2702X*	20.65	13.02	0.26	3188	3.25	2.27	0.30
0251	4.30	2.89	0.25	2065	4.23	2.92	0.27	2705X*	17.04	10.83	0.24	3220	2.92	1.99	0.27
0400	12.33	8.47	0.30	2070	2.93	1.91	0.27	2710	15.90	10.26	0.27	3223	5.65	4.07	0.31
0401	13.06	8.44	0.27	2081	7.46	5.10	0.27	2714	6.37	4.37	0.29	3224	5.17	3.55	0.26
0761N	2.08	—	—	2089	8.20	5.62	0.27	2731	5.41	3.55	0.28	3227	3.54	2.40	0.27
0763FN	5.93	—	—	2095	6.18	4.32	0.29	2735	6.99	4.88	0.30	3240	3.82	2.64	0.28
0770N	0.89	—	—	2101	—	4.32	0.29	2741	—	4.88	0.30	3241	4.75	3.27	0.29
0773N	1.86	—	—	2105	4.73	3.20	0.28	2747	—	2.94	0.30	3255	3.42	2.36	0.26
0774N	1.64	—	—	2110	3.85	2.64	0.28	2759	8.59	5.97	0.29	3257	3.93	2.75	0.29
0775N	1.07	—	—	2111	3.28	2.23	0.27	2790	1.93	1.31	0.28	3270	2.62	1.79	0.28
0776N	1.82	—	—	2112	3.40	2.34	0.28	2802	6.78	4.69	0.30	3300	8.84	6.25	0.31
0779N	1.43	—	—	2114	4.19	2.83	0.26	2812	6.00	4.14	0.29	3303	5.35	3.66	0.28
0799N	5.06	—	—	2121	2.73	1.88	0.27	2835	3.11	2.17	0.30	3307	4.45	3.01	0.28
0908P	47.00	31.97	0.28	2130	3.97	2.66	0.25	2836	3.36	2.35	0.28	3315	2.92	2.02	0.28
0909P	75.00	48.85	0.21	2131	2.50	1.74	0.29	2841	5.92	4.07	0.29	3334	2.24	1.53	0.28
0912P	191.00	128.58	0.26	2143	5.24	3.58	0.28	2881	4.22	2.94	0.30	3336	3.39	2.34	0.29
0913P	168.00	114.47	0.26	2150	9.71	6.54	0.26	2883	5.27	3.67	0.30	3365	11.23	7.25	0.26
0917	4.15	2.84	0.29	2156	4.72	3.26	0.29	2913	4.08	2.79	0.31	3372	6.18	4.04	0.27
1005*	10.78	5.21	0.20	2157	4.21	2.82	0.26	2915	6.02	3.98	0.29	3373	9.19	6.35	0.28
1164E	4.16	2.38	0.21	2172	1.58	1.10	0.27	2916	5.35	3.70	0.29	3383	1.88	1.29	0.28
1165E	5.58	3.42	0.22	2174	7.53	5.27	0.29	2923	3.55	2.41	0.27	3385	1.27	0.87	0.28
1320	3.28	2.12	0.25	2177	—	1.10	0.27	2942	3.33	2.34	0.29	3400	5.70	3.69	0.27
1322	18.24	11.46	0.24	2211	5.42	3.50	0.27	2960	8.42	5.67	0.26	3507	4.27	2.87	0.26
1429X	2.33	1.59	0.25	2220	2.86	1.97	0.28	3004	4.51	2.86	0.25	3515	3.24	2.21	0.27
1430	10.16	6.63	0.28	2286	3.88	2.61	0.27	3018	5.83	3.94	0.28	3548	2.37	1.57	0.26
1438X	2.65	1.72	0.27	2288	5.30	3.61	0.27	3022	4.10	2.80	0.26	3559	3.45	2.39	0.29
1452	3.25	2.11	0.26	2300	3.09	2.16	0.29	3027	2.27	1.53	0.26	3565X	0.78	0.54	0.30
1463	10.71	6.76	0.24	2302	1.73	1.18	0.28	3028	4.19	2.85	0.27	3574	2.00	1.36	0.30
1470	6.16	3.90	0.22	2305	3.99	2.67	0.24	3030	9.75	6.32	0.26	3581	2.26	1.52	0.26
1472	6.62	4.15	0.25	2361	2.30	1.61	0.28	3040	5.67	3.65	0.26	3612	3.24	2.13	0.27
1604X	9.02	5.90	0.25	2362	4.75	3.24	0.27	3041	4.62	3.15	0.29	3620	5.28	3.36	0.25
1624E	6.73	4.29	0.26	2380	2.60	1.80	0.27	3042	2.59	1.73	0.25	3629	2.10	1.43	0.27
1642	4.32	2.75	0.23	2386	2.61	1.82	0.28	3064X	4.46	3.03	0.27	3632	4.55	3.10	0.27
1654	5.20	3.27	0.23	2388	3.36	2.35	0.30	3066	5.45	3.72	0.27	3634	1.97	1.33	0.27
1655	7.73	4.90	0.22	2402	3.58	2.33	0.26	3076	3.00	2.06	0.28	3635	1.89	1.28	0.26
1699	3.56	2.27	0.27	2413	7.32	4.91	0.25	3081D	7.05	4.49	0.26	3638	2.02	1.37	0.27
1701	3.84	2.45	0.25	2416	4.58	3.19	0.29	3082D	4.28	2.74	0.28	3639X	4.13	2.82	0.25

Refer to the Footnotes Page for additional information on this class code.

ADVISORY LOSS COSTS — NOT RATES   **TENNESSEE**

Advisory loss costs exclude the following expense provisions: production, general expense, taxes, and profit and contingency allowance.

Exhibit III   *Effective January 1, 1997*   Page S2

CLASS CODE	LOSS COST	ELR	D RATIO	CLASS CODE	LOSS COST	ELR	D RATIO	CLASS CODE	LOSS COST	ELR	D RATIO	CLASS CODE	LOSS COST	ELR	D RATIO
3642	1.72	1.17	0.27	4307	3.19	2.21	0.29	4805	—	1.45	0.23	5480	8.54	5.35	0.22
3643	2.48	1.60	0.27	4308	1.30	0.90	0.29	4806	—	1.45	0.23	5491	4.58	2.92	0.24
3647	5.18	3.44	0.27	4350	—	1.58	0.29	4807	—	1.45	0.23	5506	9.52	6.07	0.25
3648	4.15	2.90	0.30	4351	0.70	0.49	0.29	4808	—	1.45	0.23	5507	14.55	9.21	0.24
3681	1.70	1.17	0.30	4352	1.53	1.05	0.29	4809	—	1.45	0.23	5508D	10.52	6.55	0.22
3685	0.89	0.61	0.29	4360	1.08	0.74	0.28	4810	—	1.45	0.23	5536	9.55	6.07	0.26
3719	5.47	3.45	0.23	4361	1.50	1.01	0.27	4811	—	1.45	0.23	5538	9.55	6.07	0.26
3724	8.16	5.17	0.24	4362	1.02	0.68	0.29	4812	—	1.45	0.23	5551	18.28	11.57	0.25
3726	7.22	4.52	0.23	4410	4.32	2.99	0.28	4813	—	1.45	0.23	5606	3.66	2.31	0.25
3803	8.15	5.59	0.27	4417	—	2.99	0.28	4814	—	1.45	0.23	5610	5.66	3.73	0.28
3807	3.14	2.08	0.25	4420	4.74	3.06	0.25	4815	—	1.45	0.23	5645	14.34	9.18	0.26
3808	4.21	2.91	0.27	4431	1.94	1.35	0.29	4816	—	1.45	0.23	5651	13.55	8.73	0.26
3821*	8.67	5.50	0.28	4432	2.99	2.10	0.29	4817	—	1.45	0.23	5703	20.19	12.99	0.26
3822	6.13	4.16	0.27	4439	2.79	1.82	0.27	4818	—	1.45	0.23	5705*	13.05	8.49	0.24
3824	6.11	4.17	0.28	4452	5.18	3.53	0.29	4819	—	1.45	0.23	5951	1.67	1.11	0.24
3826	1.48	0.95	0.26	4459	3.18	2.20	0.29	4820	—	1.45	0.23	6003	18.55	11.70	0.23
3827	3.49	2.40	0.27	4470	3.38	2.26	0.28	4821	—	1.45	0.23	6005	10.43	6.61	0.23
3830	1.89	1.23	0.27	4484	4.68	3.25	0.29	4822	—	1.45	0.23	6017	12.20	7.62	0.20
3851	2.74	1.90	0.29	4493	3.17	2.11	0.24	4823	—	1.45	0.23	6018	8.78	5.41	0.20
3865	4.01	2.80	0.29	4511	1.01	0.68	0.27	4825	1.43	0.92	0.27	6045	8.25	5.22	0.23
3881*	7.39	4.95	0.26	4557	3.13	2.12	0.27	4828*	2.32	1.45	0.23	6204	14.53	9.21	0.25
4000	5.30	3.14	0.23	4558	2.81	1.91	0.27	4829*	2.32	1.45	0.23	6206	7.49	4.32	0.24
4021	3.93	2.54	0.26	4561	3.11	2.10	0.26	4902	3.20	2.24	0.28	6213	6.83	4.34	0.23
4024E	8.32	5.17	0.22	4568	5.97	3.80	0.27	4923	1.55	1.06	0.28	6214	7.60	4.70	0.21
4034	8.85	5.70	0.27	4581	1.98	1.25	0.24	5020	6.84	4.37	0.25	6216	9.69	6.16	0.24
4036	3.44	2.22	0.26	4583	4.85	3.10	0.26	5022	9.95	6.33	0.25	6217	7.90	4.96	0.24
4038	3.43	2.43	0.30	4611	2.16	1.46	0.26	5037	47.08	26.70	0.20	6229	7.32	4.73	0.25
4053	4.36	2.95	0.27	4635	3.45	2.03	0.26	5040	27.55	16.00	0.24	6233	11.27	6.93	0.20
4061	5.62	3.85	0.26	4653	4.46	2.96	0.23	5057	16.69	9.78	0.23	6235	16.19	10.31	0.24
4062	2.35	1.62	0.29	4665	10.42	6.68	0.25	5059	26.96	15.60	0.23	6236	28.70	18.17	0.24
4101	2.66	1.75	0.29	4670	6.13	4.02	0.26	5069	37.28	23.47	0.22	6237	3.66	2.32	0.23
4111	4.31	2.96	0.29	4683	2.29	1.53	0.25	5102	9.05	5.69	0.25	6251D	12.31	7.65	0.21
4112	1.53	1.03	0.26	4686	3.42	2.14	0.26	5146	6.30	4.30	0.27	6252D	15.13	9.38	0.21
4113	2.67	1.87	0.29	4692	0.73	0.50	0.28	5160	5.25	3.32	0.25	6260D	15.13	9.38	0.21
4114	2.78	1.93	0.27	4693	2.48	1.70	0.29	5183	5.29	3.37	0.25	6306	11.11	7.01	0.24
4130	4.51	3.08	0.29	4703	2.10	1.43	0.25	5188	5.31	3.47	0.27	6319	7.93	5.02	0.26
4131	3.74	2.55	0.29	4717	4.41	3.06	0.28	5190	4.10	2.62	0.26	6325	7.07	4.50	0.24
4133	3.14	2.16	0.29	4720	3.02	2.05	0.26	5191	1.21	0.78	0.25	6400	14.77	9.97	0.27
4150	1.32	0.92	0.30	4740	2.97	1.92	0.26	5192	5.75	3.91	0.28	6504	3.41	2.33	0.27
4206	3.28	2.18	0.24	4741	4.03	2.71	0.26	5213	11.30	7.19	0.25	6702Ma	a	a	a
4207	1.00	0.67	0.25	4751	3.51	2.32	0.30	5215	6.22	4.22	0.27	6703Ma	a	a	a
4239	1.80	1.16	0.26	4761NX	4.63	2.78	0.23	5221	6.65	4.25	0.25	6704Ma	a	a	a
4240	6.71	4.60	0.29	4770N	5.95	3.45	0.24	5222	15.45	9.70	0.24	6801F	5.33	2.79	0.23
4243	4.06	2.75	0.28	4773N	9.06	5.33	0.26	5223	7.94	5.14	0.27	6811	3.15	2.04	0.23
4244	4.27	2.73	0.25	4774N	9.26	5.33	0.25	5348	4.90	3.08	0.23	6824F	8.41	4.10	0.21
4250	2.37	1.61	0.27	4775N	6.56	3.89	0.24	5402	9.60	6.26	0.21	6826F	8.41	4.16	0.23
4251	2.89	2.02	0.28	4776N	9.52	5.79	0.26	5403	10.37	6.57	0.25	6834	5.09	3.33	0.28
4263	3.68	2.55	0.27	4777	6.02	3.76	0.23	5437	5.92	3.78	0.26	6836	5.94	3.76	0.26
4273	3.90	2.70	0.28	4779N	8.08	4.90	0.25	5443	5.97	4.04	0.25	6843F	9.32	4.31	0.21
4279	2.93	2.01	0.29	4799N	19.04	10.99	0.26	5445	10.59	6.74	0.25	6845F	8.68	4.29	0.21
4282	2.04	1.41	0.27	4800	—	1.45	0.23	5462	9.33	5.92	0.26	6854	4.31	2.59	0.25
4283	7.17	4.84	0.24	4801	—	1.45	0.23	5472	5.29	3.37	0.25	6872F	17.40	8.12	0.20
4299	2.30	1.58	0.29	4802	—	1.45	0.23	5473	13.60	8.89	0.27	6874F	27.36	13.62	0.20
4301	—	2.01	0.29	4803	—	1.45	0.23	5474	9.98	6.35	0.25	6882	7.36	4.41	0.22
4304	3.78	2.46	0.29	4804	—	1.45	0.23	5479	13.60	8.89	0.27	6884	15.93	10.32	0.20

Refer to the Footnotes Page for additional information on this class code.

11/96

ADVISORY LOSS COSTS — NOT RATES   **TENNESSEE**

Advisory loss costs exclude the following expense provisions: production, general expense, taxes, and profit and contingency allowance.

Exhibit III   *Effective January 1, 1997*   Page S3

CLASS CODE	LOSS COST	ELR	D RATIO	CLASS CODE	LOSS COST	ELR	D RATIO	CLASS CODE	LOSS COST	ELR	D RATIO	CLASS CODE	LOSS COST	ELR	D RATIO
7016M	16.60	13.88	0.20	7409	12.11	6.82	0.20	8116	4.80	3.22	0.26	8835	4.21	2.88	0.27
7019M	16.60	13.88	0.20	7418	—	2.15	0.20	8203	5.57	3.86	0.28	8837	—	0.55	0.30
7020M	16.60	13.88	0.20	7420	14.16	8.04	0.20	8204	9.83	6.31	0.27	8861*	0.54	0.37	0.30
7024M	18.45	15.43	0.20	7421	3.00	1.77	0.24	8209	4.90	3.41	0.30	8868	0.54	0.37	0.30
7027M	18.45	15.43	0.20	7422	3.88	2.15	0.20	8215	4.33	2.93	0.26	8869	0.54	0.37	0.30
7028M	18.45	15.43	0.20	7423	2.17	1.39	0.27	8227	3.69	2.37	0.25	8871	0.29	0.20	0.29
7036M	12.63	10.56	0.20	7425*	14.16	8.04	0.20	8232	5.99	3.87	0.27	8901	0.36	0.24	0.27
7037M	12.63	10.56	0.20	7431N	2.50	1.41	0.20	8233	6.99	4.42	0.23	9012	0.63	0.40	0.26
7038M	12.63	10.56	0.20	7445N	0.41	—	—	8235	4.66	3.22	0.29	9014	4.52	3.11	0.29
7039M	16.60	13.88	0.20	7453N	1.35	—	—	8263	9.27	6.23	0.25	9015	4.45	2.89	0.27
7046M	13.90	12.84	0.27	7500X	2.74	1.81	0.24	8264	6.89	4.73	0.28	9016	3.20	2.21	0.30
7047M	23.91	20.05	0.20	7502	2.49	1.58	0.25	8265	9.40	6.23	0.29	9019	3.62	2.33	0.25
7048M	15.79	13.24	0.20	7515	1.02	0.60	0.24	8279	7.84	5.45	0.30	9033	2.44	1.66	0.27
7049M	15.79	13.24	0.20	7520	2.88	1.86	0.27	8288	5.48	3.74	0.29	9040	3.59	2.44	0.28
7050M	15.79	13.24	0.20	7538	11.46	6.69	0.24	8291	5.69	3.89	0.28	9052	3.70	2.59	0.31
7051M	23.91	20.05	0.20	7539	3.88	2.47	0.25	8292	5.50	3.79	0.30	9058	2.67	1.87	0.31
7062M	23.91	20.05	0.20	7540	3.69	2.25	0.27	8293	8.43	5.81	0.28	9059	3.04	2.08	0.29
7070M	23.91	20.05	0.20	7580	2.34	1.52	0.28	8295X	3.72	2.51	0.24	9060	2.62	1.74	0.30
7079M	16.60	13.88	0.20	7590	4.98	3.33	0.26	8304	6.16	3.93	0.25	9061	2.12	1.46	0.30
7088M	14.01	11.72	0.20	7600	2.63	1.68	0.27	8350	4.75	3.00	0.25	9063	1.06	0.72	0.29
7089M	14.01	11.72	0.20	7601	13.21	8.28	0.24	8380X	3.41	2.19	0.27	9077F	2.75	1.37	0.23
7090M	14.01	11.72	0.20	7605	3.00	1.93	0.26	8381	3.25	2.21	0.28	9079	—	1.98	0.31
7091M	18.45	15.43	0.20	7610	0.54	0.35	0.28	8385	3.52	2.35	0.29	9082	2.85	1.98	0.31
7097M	18.45	15.43	0.20	7611	7.07	4.50	0.24	8392	2.80	1.86	0.29	9083	2.85	1.98	0.31
7098M	15.45	14.27	0.27	7612	13.21	8.28	0.24	8393	2.59	1.70	0.27	9084	2.85	1.98	0.31
7099M	22.90	21.15	0.27	7613	2.63	1.68	0.27	8500	8.60	5.59	0.29	9088a	a	a	a
7131M	23.91	20.05	0.20	7704	4.55	2.67	0.29	8601	0.89	0.56	0.23	9089	1.80	1.22	0.24
7133	4.81	3.16	0.27	7720	3.47	2.15	0.30	8606	3.91	2.56	0.26	9093	1.95	1.35	0.30
7151Ma	a	a	a	7855	15.79	9.91	0.24	8709F	4.76	2.24	0.20	9101	3.04	2.08	0.29
7152Ma	a	a	a	8001	1.88	1.30	0.30	8710	2.10	1.30	0.21	9102	4.53	2.95	0.28
7153Ma	a	a	a	8002	1.95	1.33	0.28	8719	2.41	1.54	0.27	9110*	3.04	2.08	0.29
7219	7.78	4.90	0.23	8006	3.39	2.32	0.28	8720	1.60	1.02	0.25	9154	2.35	1.51	0.28
7222	10.76	6.86	0.24	8008	1.17	0.81	0.31	8721	0.63	0.40	0.26	9156	1.37	0.92	0.27
7230	5.15	3.43	0.29	8010	2.07	1.40	0.28	8726F	7.75	3.69	0.22	9178	11.81	8.19	0.31
7231	4.60	2.97	0.26	8013	0.53	0.35	0.27	8734Ma	a	a	a	9179	13.95	9.59	0.29
7232	4.81	3.04	0.22	8015	1.69	1.17	0.30	8737Ma	a	a	a	9180	4.76	3.16	0.30
7309F	26.64	12.13	0.20	8017	1.69	1.17	0.30	8738Ma	a	a	a	9182	3.04	2.08	0.28
7313F	6.37	3.24	0.22	8018	4.02	2.75	0.29	8742	0.63	0.40	0.26	9186	33.18	20.67	0.30
7317F	9.62	4.46	0.20	8021	6.37	4.38	0.29	8745	3.13	2.11	0.26	9220	5.44	3.70	0.27
7323FN	13.83	6.71	0.20	8031	5.19	3.54	0.29	8748	0.75	0.47	0.26	9402	7.12	4.53	0.24
7327F	18.78	9.04	0.20	8032	2.56	1.75	0.29	8755	0.51	0.32	0.23	9403	6.76	4.34	0.27
7333M	9.61	20.05	0.23	8033	2.05	1.42	0.30	8800	2.42	1.70	0.31	9410	3.54	2.36	0.29
7335M	10.68	20.05	0.23	8039	1.40	0.96	0.30	8803	0.22	0.15	0.28	9501	3.91	2.75	0.29
7337M	15.83	20.05	0.23	8044	3.08	2.13	0.29	8805Ma	a	a	a	9505	4.08	2.83	0.27
7350F	15.05	7.22	0.21	8046	2.12	1.45	0.29	8810	0.29	0.20	0.29	9516	2.52	1.61	0.26
7360	8.37	5.47	0.27	8047	1.96	1.36	0.30	8814Ma	a	a	a	9519	2.52	1.61	0.26
7370	6.58	4.22	0.26	8050	1.74	1.20	0.29	8815Ma	a	a	a	9521	4.68	3.05	0.26
7380	4.25	2.74	0.26	8058	3.32	2.25	0.28	8820	0.23	0.16	0.28	9522	3.24	2.25	0.29
7382	3.81	2.53	0.29	8061	3.11	2.14	0.28	8824	5.58	3.89	0.31	9529	—	5.19	0.23
7390	4.06	2.64	0.27	8102	4.05	2.74	0.28	8825	2.67	1.87	0.31	9534	8.70	5.40	0.22
7394M	19.06	8.05	0.20	8103	3.38	2.34	0.28	8826	3.70	2.59	0.31	9545	20.52	12.87	0.25
7395M	21.20	8.93	0.20	8105	6.65	4.48	0.26	8829	5.58	3.89	0.31	9549	10.71	6.91	0.25
7398M	26.11	13.23	0.20	8106	5.49	3.55	0.27	8831	1.83	1.25	0.30	9552X	11.78	7.39	0.23
7403	2.50	1.74	0.31	8107	3.73	2.40	0.26	8832	0.29	0.19	0.27	9553X	15.67	10.35	0.25
7405N	0.76	0.46	0.27	8111	3.09	2.13	0.28	8833	1.15	0.78	0.27	9586	0.65	0.47	0.31

* Refer to the Footnotes Page for additional information on this class code.

ADVISORY LOSS COSTS — NOT RATES

Advisory loss costs exclude the following expense provisions: production, general expense, taxes, and profit and contingency allowance.

Exhibit III

CLASS CODE	LOSS COST	ELR	D RATIO
9600	2.02	1.37	0.25
9620	0.99	0.67	0.27

* Refer to the Footnotes Page for additional information on this class code.

11/96

FOOTNOTES

a   Loss cost for each individual risk must be obtained by Home Office from Rating Organization having jurisdiction.

D   Special disease rule for the classification—See Rule IV of Manual Supplement—Treatment of Disease Coverage.

E   Classification involving specific disease loading. Refer to Home Office for amount.

F   Loss cost provides for coverage under the United States Longshore and Harbor Workers Compensation Act and its extensions.

M   Loss cost provides for coverage under Admiralty Law and Federal Employers' Liability Act (FELA).

N   This code is part of a ratable/non-ratable group shown below. The statistical non-ratable code and the corresponding loss cost are applied in addition to the basic classification when determining pure premium.

Class Code	Non-Ratable Element Code	Class Code	Non-Ratable Element Code
4761	0761	4779	0779
4770	0770	4799	0799
4773	0773	7323F	0763F
4774	0774	7405	7445
4775	0775	7431	7453
4776	0776		

P   Classification is computed on a per capita basis.

X   Refer to special classification phraseology in these pages which is applicable in this state.

Class Codes with Specific Footnotes

1005   Loss cost includes a non-ratable disease element of $2.21. (For coverage written separately for federal benefits only, $0.88. For coverage written separately for state benefits only, $1.33).

2702   An upset payroll of $10.00 per cord shall be used for premium computation when payroll records are not available. An ELR of $15.95 is applicable to policies whose effective dates or anniversary rating date is on or between 1/1/92 and 12/31/92; and $13.02 is applicable to policies whose effective date is on or after 1/1/93.

2705   An upset payroll of $10.00 per cord shall be used for premium computation when payroll records are not available. An ELR of $13.27 is applicable to policies whose effective dates or anniversary rating date is on or between 1/1/92 and 12/31/92; and $10.83 is applicable to policies whose effective date is on or after 1/1/93.

3821, 3881, 5705, 7425, 8861, 9110
    See State Special Rating Plans and Programs Transition Program

4828, 4829   See State Special Rating Plans and Programs Transition Program

11/96

WORKERS COMPENSATION AND EMPLOYERS LIABILITY   TENNESSEE

Effective January 1, 1997   EXHIBIT III

ADVISORY MISCELLANEOUS VALUES

Basis of premium applicable in accordance with the footnote instructions for Code 7370 – "Taxicab Co.":

Employee operated vehicle	$33,575.00
Leased or rented vehicle	$22,383.00

Maximum Remuneration applicable in accordance with Basic Manual Rule IX-A-4-b – "Executive Officers" and the footnote instructions for Code 9178 – "Athletic Team: Non-Contact Sports," Code 9179 – "Athletic Team: Contact Sports," and Code 9186 – "Carnival – Traveling" $1,700.00

Minimum Remuneration applicable in accordance with Basic Manual Rule IX-A-4-a – "Executive Officers" $200.00

Per Passenger Seat Surcharge - In accordance with the footnote instructions for classification Code 7421, the surcharge is

maximum surcharge per aircraft	$1,000.00
per passenger seat	$100.00

Premium Determination for Partners and Sole Proprietors in accordance with Basic Manual Rule IX-B-5 $32,900.00

United States Longshore and Harbor Workers' Compensation Coverage Percentage applicable only in connection with Rule XII-D-3 "U.S. Longshore and Harbor Workers' Compensation Act" of the Basic Manual   90%

(Multiply a Non-"F" classification advisory loss cost by a factor of 1.90)
This factor adjusts for differences in benefits only.